



## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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April 3, 2000

The Honorable John M. Phillips  
Presiding Judge of the Coordinated Trial Courts  
Monterey County  
240 Church Street  
Salinas, California 93901

Subject: Response to 1999 Monterey County Civil Grand Jury Final Report

Dear Judge Phillips:

The Monterey Peninsula Water Management District (MPWMD or District) is pleased to have the opportunity to respond to the analysis of the District's performance in the 1999 Monterey County Grand Jury Final Report. We would like to clarify some facts and technical information provided in the report. For example, the report states that "MPWMD has imposed stringent regulations and rationing requirements on citizens; however, there is little reduction in water use". The fact is that the District's water conservation program has been effective, with water use per connection

35% lower in 1999 than it was in 1989. This water conservation program, which is coordinated with similar efforts by the California-American Water Company (Cal-Am), has been successful in keeping the community's use within the limits set by the State Water Resources Control Board (SWRCE) in Water Years 1996, 1998, and 1999. While average use per connection is lower, there are now more connections to Cal-Am's main water distribution system. Specifically, the number of connections in Cal-Am's main water distribution system has increased from 35,848 connections in 1989 to 37,534 connections in 1999. Please note that the District does not have direct control over land-use decisions that result in additional connections.

It is unfortunate that the Grand Jurors who investigated the District's performance did not discuss their concerns with the District Board or its leadership, as has been done in the past. In this regard, the District requests that for any future investigation by the Grand Jury, the Jurors confer with the full Board and its leadership (i.e., Chair, Vice Chair, and General Manager). The District welcomes the opportunity to explain the purpose and status of its policies and programs.

As requested, we offer the following comments on the 1999 Monterey County Grand Jury's findings and recommendations in the section regarding the District. The Grand Jury's findings and recommendations are shown in *italics*. The comments are formatted in accordance with the mandatory response requirements provided by the Grand Jury and required by California law.

**FINDINGS:**

MPWMD income has totaled \$34,065, 000 for the last ten years.

1. The District agrees with this finding and offers the following clarification. Based on a thorough review of annual audit reports for the District for Fiscal Years 1989 through 1999, District revenue has totaled \$35,065,566. This total is similar but greater than the sum shown in the Grand Jury report. A detailed comparison of audited revenue values and values reported by the Grand Jury is included as **Enclosure 1**.
2. MPWMD has collected the following fees, connection charges, and property taxes in the last ten years:

<i>Property Taxes</i>	-	\$ 6,050,000
<i>Connection Fees</i>	-	\$10,020,000
<i>User Fees (Water)</i>	-	\$12, 221,000
<i>Miscellaneous Fees</i>	-	\$ 5,774,000

The District agrees with this finding and offers the following clarification. As discussed above and shown in Enclosure 1, total District revenues for Fiscal Years 1989 through 1999 shown in the Grand Jury report were underestimated by \$1,000,566 or 2.85%. A detailed comparison of the differences between the audited revenue values and those reported by the Grand Jury by revenue source is shown in **Enclosure 1**. The differences are largely attributable to connection and miscellaneous fees.

3. MPWMD has spent the following in the last ten years:

<i>Studies, Services, and Supplies</i>	-	\$15,084,000
<i>Personnel(Regulations/Planning)</i>	-	\$14,272,000
<i>Related Projects</i>	-	\$ 1,636,000

The District agrees with this finding in part. Based on audited values for Fiscal Years 1989 through 1999 and as shown in Enclosure 1, District expenditures have totaled \$31,884,629. Similar to revenues, the audited tow is similar but greater than the sum shown in the Grand Jury report. More importantly, the distribution of expenditures between the audited and reported values differ significantly. As shown in Enclosure 1, audited expenses for "Services & Supplies & Capital Outlay" for Fiscal Years 1989 through 1999 totaled \$8,898,515, as compared to \$15,084,000 reported by the Grand Jury. Similarly, audited expenses for "Project Costs" totaled \$8,728,122, as compared to \$1,636,000 reported by the Grand Jury. The differences in the reported expenditure values, i.e., overestimate for supplies and services and under-estimate for project costs, offset each other so that the total is essentially correct.

In the District's annual reports and audits, expenditures are shown by fund or program. For example, in Fiscal Year 1999, \$1,456,683 was expended for Carmel River mitigation, \$1,409,189 was expended for water augmentation efforts, and \$350,948 was expended for water conservation measures.

4. *MPWMD staff has grown to 25 people.*

The District agrees with this finding in part. It is correct that the District currently employs 25 full time employees and that the staff has numbered 23-25 employees since 1993. The largest number of full-time District staff occurred in 1991 when the District was responsible for administering a mandatory water rationing program. At that time, the District employed 37 full-time employees.

5. *Through recent legislation involving MPPAM, its water users are about to pay for a new study, costing up to \$700, 000, reviewing all previous studies. Additionally, there are costs associated with involving the staffs of MPWMD, PUC, and State Water Resources Control Board.*

The District disagrees with the finding. The District Board went on record supporting the CPUC Plan B study included in AB II 82 (Keeley) based on the condition that funds would be provided by the State. State funding did not materialize and the CPUC chose to require local ratepayers to pay for the full cost of the Plan B endeavor. The Plan B study will not be a rehash of "all previous studies". It is intended to provide an independent consideration of water supply alternatives to the proposed Carmel River Dam and Reservoir Project, using current information.

**RECOMMENDATIONS:**

1. *In conjunction with the Monterey County Local Agency Formation Commission, the Board of Supervisors (BOS) initiate efforts to:*
  - a. *comply with requirements of State of California Government Code Section 56000-56780 (Cortese-Knox Act of 1985);*
  - b. *seek consensus of Cities within the boundary of MPWMD;*
  - c. *encourage repeal of MPWMD enabling legislation by the California Legislature, if deemed necessary; and*
  - d. *take steps necessary to dissolve and liquidate MPWMD.*

This recommendation will not be implemented because it is not warranted. These recommendations are inconsistent with the November 1999 election in which three new directors were elected to the District Board. This vote provides opportunities for the District to move in new directions. Accordingly, the District Board should be given

reasonable time to implement the District's mandate.

Funds used by the District do provide "fair value" to taxpayers. Indeed, the District provides a broad scope of services, ranging from water supply planning to environmental protection. The District is proud that its monitoring and management efforts have prevented seawater intrusion in the Seaside Coastal groundwater basin and Carmel Valley. The District is recognized as a leader in water conservation and river restoration.

A similar proposal sponsored by state senator Henry Mello in 1996 met considerable opposition from a broad spectrum of the local community. Voters in the Monterey Peninsula area desire local control via a locally elected water board. We recognize that the District's existence is a controversial issue. Over the past years, the District has reflected the community's ambivalence over a water supply solution, especially in light of growth pressures and State water right decisions such as SWRCB Order No. WR 95-10. A vital role of the District is to facilitate a long-term water supply solution given a limited, critical natural resource.

- 2 . *Upon dissolution of MPWMD, the BOS turn over the responsibilities to the Monterey County Water Resources Agency.*

This recommendation will not be implemented because it is not warranted. Please see above. Monterey County Water Resources Agency's authority is more limited than MPWMD's for key programs, and its funding is strictly limited. Proposition 218 restrictions already hamper the Water Resources Agency's ability to address severe water problems in Salinas Valley. The District welcomes the opportunity to enhance our cooperative relationship with the Water Resources Agency and is actively pursuing ways to improve coordination with the Water Resources Agency as well as the Monterey County Planning and Building Inspection Department and Monterey County Health Department.

- 3 . Upon dissolution of MPWMD, the BOS designate the County Planning and Building Inspection Department, and the respective Cities designate their City Building Departments to enforce necessary water management regulations.

This recommendation will not be implemented because it is not warranted. The wisdom of a regional water resource agency to administer "necessary water management regulations" was recognized in 1978 when the District was formed and ratified by the voters. This need has not lessened, and is even greater given the limitations on water supply that were imposed by the State Water Resources Control Board in Order No. WR 95-10 in July 1995.

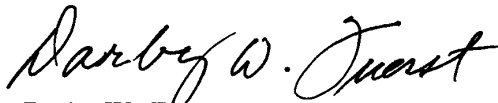
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4. *Consider the possibility of buying water from the State Water Project at San Luis Reservoir and pumping to the Monterey Peninsula.*

This recommendation has been implemented. The District has evaluated use of water from San Luis Reservoir since the late 1980s. Updated information in the November 1998 SEIR for the Cal-Am reservoir project indicates the San Luis Reservoir option is not cost effective. Relevant excerpts from the 1998 SEIR are enclosed for your review and records (**Enclosure 2**).

Lastly, we have enclosed a copy of the draft 1999 Monterey Peninsula Water Management District Annual Report for your review and records (Enclosure 3). Thank you for the opportunity to comment on the 1999 Monterey County Grand Jury Report. If you or members of the Grand Jury have any questions about our responses or require additional information, please let me know.

Sincerely,



Darby W. Fierst  
General Manager

Enclosures

cc: MPWMD Board of Directors  
David C. Laredo, District Counsel  
Monterey County Water Resources Agency  
Monterey County Planning and Building Inspection Department  
Monterey County Health Department  
Monterey County Herald  
Monterey County Post  
Coast Weekly  
Pacific Grove Beacon  
Carmel Pine Cone

# Comparison between Grand Jury Findings and MPWMD Audited Revenues and Expenses for Fiscal Years 1989-1999

## Enclosure 1

	MPWMD Audit Values	Grand Jury Report	Variance	
<b>Revenue</b>				
Property Taxes	5,965,746	6,050,000	84,254	
Connection Fees	10,346,758	10,020,000	(326,758)	
User Fees	12,301,519	12,221,000	(80,519)	
Misc Fees	<u>6,451,543</u>	<u>5,774,000</u>	<u>(677,543)</u>	
Total	35,065,566	34,065,000	(1,000,566)	-2.85%
<b>Expense</b>				
Services & Supplies & Capital Outlay	8,898,515	15,084,000	6,185,485	
Personnel	14,257,992	14,272,000	14,008	
Project Costs	<u>8,728,122</u>	<u>1,636,000</u>	<u>(7,092,122)</u>	
Total	31,884,629	30,992,000	(892,629)	-2.80%

## Notes:

1. "Miscellaneous fees" include investment earnings, project reimbursements, grants, miscellaneous fees and reclamation project investment income.
2. On SEP 10, 1999 MPWMD provided extracts from annual audit reports for FY's 89-99 as requested by the Grand Jurors.
3. All values noted as "Grand Jury Report" were obtained from page 36 of the current report. No other supporting data were used.
4. Most values ignore data pertaining to the Enterprise Fund (Reclamation Project).
5. The Governmental Accounting Standards Board does not call out "project costs" as a single line in the format for the Combined Statement of Revenues, Expenditures and Changes in Fund Balances (included in the data provided to the Grand Jurors), thus totals for Services and Supplies, Capital Outlay, and Project Costs should be summed when comparing Grand Jury numbers to Audited MPWMD figures. When this is done, the variance for these lines is \$906,637.

